

TOWNSHIP CODE ENFORCEMENT DEPARTMENT  
PINCONNING, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Township Code Enforcement Department	County Bay
Fiscal Year End March 31, 2006	Opinion Date May 8, 2006	Date Audit Report Submitted to State May 19, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

RECEIVED  
DEPT. OF TREASURY

MAY 22 2006

YES NO

Check each applicable box below. (See instructions for further detail.)

LOCAL AUDIT & FINANCE DIV.

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. Eighth Street		City Traverse City	State MI
Zip 49686		License Number 11050	
Authorizing CPA Signature <i>Barry E. Gaudette, CPA</i>		Printed Name Barry E. Gaudette, CPA	

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FINANCIAL SECTION

### INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors  
Township Code Enforcement Department  
Pinconning, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Township Code Enforcement Department, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township Code Enforcement Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note I, the financial statements present only the Township Code Enforcement Department Fund (a special revenue fund) and is not intended to present fairly the financial position and results of operations of any of the participating municipality, in conformity with accounting principles generally accepted in the United States of America.

Township Code Enforcement Department  
Independent Auditors' Report  
Page Two

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township Code Enforcement Department, Pinconning, Michigan, as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the Special Revenue Fund.

As described in Note IV(C), the Township Code Enforcement Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of March 31, 2006.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

*Larry E. Sanditz, CPA, PC*

May 8, 2006

BASIC FINANCIAL STATEMENTS

Township Code Enforcement Department  
Statement of Net Assets  
March 31, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash-permit fees account	\$ 6,759
Cash-operating permit fees account	3,833
Cash-performance bond account	5,605
Capital assets (net of accumulated depreciation):	
Furniture & fixtures	1,229
Office equipment	<u>585</u>
Total Assets	<u>18,011</u>
 <b>NET ASSETS</b>	
Unrestricted	<u>18,011</u>
Total net assets	<u>\$ 18,011</u>

See notes to financial statements



Township Code Enforcement Department  
Government-Wide  
Statement of Activities  
For the Year Ended March 31, 2006

Programs	Program Revenues			
	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Governmental activities:				
Public safety:				
Building inspection & regulations activities	\$ 92,305	\$ 61,485	\$ 21,428	\$
Total governmental activities	<u>\$ 92,305</u>	<u>\$ 61,485</u>	<u>\$ 21,428</u>	<u>\$</u>

General revenues:  
Interest earnings  
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expenses)  
Revenues and  
Changes in  
Net Assets

\$ ( 9,392)

( 9,392)

700  
43

743

( 8,649)

26,660

\$ 18,011

Township Code Enforcement Department  
Balance Sheet  
Governmental Funds  
March 31, 2006

	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash-permit fees account	\$ 6,759	\$ 6,759
Cash-operating permit fees account	3,833	3,833
Cash-performance bond account	<u>5,605</u>	<u>5,605</u>
Total Assets	<u>\$ 16,197</u>	<u>\$ 16,197</u>
<b>FUND BALANCE</b>		
Fund balances:		
Unreserved	<u>\$ 16,197</u>	<u>\$ 16,197</u>
Total fund balances	<u>\$ 16,197</u>	<u>\$ 16,197</u>

See notes to financial statements

Township Code Enforcement Department  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
March 31, 2006

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 16,197
---	-----------

Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds:

Cost of capital assets	6,045
Accumulated depreciation	<u>( 4,231)</u>

Total Net Assets - Governmental Activities	<u>\$ 18,011</u>
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See notes to financial statements

Township Code Enforcement Department  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
Governmental Funds  
For the Year Ended March 31, 2006

	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>		
Licenses & permits	\$ 61,485	\$ 61,485
State aid	100	100
Operating fees	21,328	21,328
Interest earnings	700	700
Other	<u>43</u>	<u>43</u>
Total revenues	<u>83,656</u>	<u>83,656</u>
<b>EXPENDITURES</b>		
Current:		
Public safety:		
Building inspection & regulations		
activities:		
Inspector fees	62,064	62,064
Office manager	15,432	15,432
Rent & utilities	4,246	4,246
Telephone	2,789	2,789
Contingency	2,109	2,109
Insurance & bonds	1,634	1,634
Supplies	1,223	1,223
Payroll expense	1,181	1,180
Postage	204	204
Flood certification	74	74
Liquor inspection fees	60	60
Bank service/check charges	55	55
Cable modem	15	15
Dues & code books	<u>10</u>	<u>10</u>
Total expenditures	<u>91,096</u>	<u>91,096</u>
Net changes in fund balances	( 7,440)	( 7,440)
Fund balances-beginning	<u>23,637</u>	<u>23,637</u>
Fund balances-ending	<u>\$ 16,197</u>	<u>\$ 16,197</u>

See notes to financial statements

Township Code Enforcement Department  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended March 31, 2006

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balances - governmental funds	\$( 7,440)
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Governmental funds report capital outlays  
as expenditures. However, in the statement  
of activities the cost of those assets is  
allocated over their estimated useful lives  
and reported as depreciation expense.

The amount by which capital outlays  
exceeded depreciation in the period.

Capital outlays	\$ -	
Depreciation expense	( 1,209)	( 1,209)

Change in net assets of governmental activities	<u><u>\$( 8,649)</u></u>
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See notes to financial statements

Township Code Enforcement Department  
Special Revenue Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances  
-Budget and Actual  
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Licenses & permits	\$	\$	\$ 61,485	\$ 61,485
State aid			100	100
Operating fees	16,500	16,500	21,328	4,828
Interest earnings	150	150	700	550
Other			43	43
Total revenues	<u>16,650</u>	<u>16,650</u>	<u>83,656</u>	<u>67,006</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Building inspection & regulations activities:				
Inspector fees			62,064	(62,064)
Office manager	17,000	17,000	15,432	1,568
Temporary secretary	1,000			
Rent & utilities	4,500	4,500	4,246	254
Telephone	2,700	2,700	2,789	( 89)
Contingency	900	2,100	2,109	( 9)
Insurance & bonds	5,000	4,800	1,634	3,166
Supplies	1,200	1,200	1,223	( 23)
Payroll expense	2,200	2,200	1,181	1,019
Postage	600	600	204	396
Flood certification			74	( 74)
Liquor inspection fees			60	( 60)
Bank service/check charges	150	150	55	95
Cable modem			15	( 15)
Dues & code books	<u>1,000</u>	<u>1,000</u>	<u>10</u>	<u>990</u>
Total expenditures	<u>36,250</u>	<u>36,250</u>	<u>91,096</u>	<u>(54,846)</u>
Net change in fund balances	(19,600)	(19,600)	( 7,440)	12,160

Township Code Enforcement Department  
Special Revenue Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances  
-Budget and Actual  
For the Year Ended March 31, 2006  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Net change in fund balances	(19,600)	(19,600)	( 7,440)	12,160
Fund balances- beginning	_____	_____	<u>23,637</u>	<u>23,637</u>
Fund balances- ending	<u>\$(19,600)</u>	<u>\$(19,600)</u>	<u>\$ 16,197</u>	<u>\$ 35,797</u>

See notes to financial statements



**Township Code Enforcement Department**  
**Notes to Financial Statements**  
**March 31, 2006**

**I. Summary of significant accounting policies**

The financial statements of the Township Code Enforcement Department (TCE) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of TCE's accounting policies are described below.

**A. Reporting entity**

The Townships of Gibson, Pinconning, Garfield, Fraser, Mt. Forest and the City of Pinconning comprise the Township Code Enforcement department. An Interlocal Agreement (Michigan Urban Cooperation Act of 1967) has been adopted and bound by agreements signed by each municipality effective November 1, 2000. It was established for the purpose of administering and enforcing certain construction codes and other ordinances as adopted by each of the participating municipalities; to hire competent inspectors and other personnel necessary to accomplish the foregoing; to establish appropriate policies and rules for the township code enforcement program; to arrange for (1) convenient location where records can be maintained and permits and inspections may be obtained; and to maintain books of account for all receipts and expenditures.

Each participating municipality shall select a representative to the Township Code Enforcement Board. Representatives shall elect four (4) persons to serve as Director, Vice-Director, Treasurer and Secretary, with the remaining representatives to serve as Trustees, as more municipalities would join, their representatives would serve as Trustees on the Board. This would be known as the Executive Board and the officers will serve for one year, with election of officers to be held annually. The Township or City representative will remain on the Board until replaced by the represented township.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of TCE. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TCE has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. TCE has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

**C. Measurement focus, basis of accounting and basis of presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, TCE considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by TCE are recognized as revenue at that time.

TCE reports the following major governmental funds:

The *special revenue fund* is TCE's primary operating fund. It accounts for all financial resources of TCE except those required to be accounted for in another fund. Revenues are derived primarily from building, electric, mechanical, and plumbing permits.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

#### **D. Assets, liabilities, and net assets**

##### **1. Deposits and investments**

TCE's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize TCE to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The TCE is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Board of Directors has designated two banks for the deposit of TCE funds.

##### **2. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by TCE as assets with an initial

individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of TCE is depreciated using the straight-line method over the following estimated useful lives:

Furniture & fixtures	5 years
Office equipment	5 years

### **3. *Compensated absences***

TCE does not have a compensated absence policy.

### **4. *Fund balance***

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

### **5. *Use of estimates***

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## **II. Stewardship, compliance and accountability**

### **A. *Budgetary information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

TCE follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Management submits to the Board of Directors a proposed budget for the fiscal year commencing on April 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - special revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31st, the budget is legally adopted by the Board of Directors as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year for the special revenue fund.
6. The budget as presented, has been amended.

**B. Excess of expenditures over appropriations**

During the year ended March 31, 2006, TCE did not budget for licenses and permit revenues or related inspection fees expended, because these revenues are reimbursements for the inspection fees. There was not an excess of expenditures over appropriations in the other accounts.

### III. Detailed notes on all funds

#### A. Deposits, investments and credit risk

##### Deposits

At year-end, the carrying amount of TCE's deposits were \$16,197 and the bank balance was \$21,260, of which \$21,260 was covered by federal depository insurance.

##### Investments

TCE does not have any investments.

*Interest Rate Risk* - TCE does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - TCE's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

TCE shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, TCE shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of TCE held in trust by the financial institution or bank. TCE may choose collateralization in the following form and percentages:

- |                                     |            |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes              | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and  |
| 3. Mortgage Backed Securities       | - 25%      |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial

institution shall provide a statement of the following collateralization at a minimum once every quarter to TCE.

TCE has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - TCE places no limit on the amount TCE may invest in any one issuer. If TCE had any investments they would be reported in the Special Revenue Fund.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	<u>\$ 16,197</u>
Cash and cash equivalents:	
Special revenue fund	\$ 21,260
Checks written in excess of deposits	<u>( 5,063)</u>
Total	<u>\$ 16,197</u>

#### B. Capital assets

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>			
Capital assets, not being depreciated	\$ -	\$	\$ -
Capital assets being depreciated:			
Furniture & fixtures	4,095		4,095
Office equipment	<u>1,950</u>		<u>1,950</u>
Total capital assets being depreciated	<u>6,045</u>		<u>6,045</u>
Less accumulated depreciation for:			
Furniture & fixtures	( 2,047)	( 819)	( 2,866)
Office equipment	<u>( 975)</u>	<u>( 390)</u>	<u>( 1,365)</u>
Total accumulated depreciation	<u>( 3,022)</u>	<u>( 1,209)</u>	<u>( 4,231)</u>
Total capital assets, being depreciated,			

net	<u>3,023</u>	<u>( 1,209)</u>	<u>1,814</u>
Governmental activities capital assets-net of depreciation	<u>\$ 3,023</u>	<u>\$ ( 1,209)</u>	<u>\$ 1,814</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Public safety	<u>\$ 1,209</u>
Total depreciation expense- governmental activities	<u>\$ 1,209</u>

#### IV. Other information

##### A. Risk management

TCE is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). TCE has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

##### B. Pension Plan

TCE does not provide a pension plan for its employees.

##### C. Implementation of new accounting standard

As of and for the year ended March 31, 2006, TCE implemented GASB Statement Number 34 - *Basic Financial Statements -and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.



COMMENTS AND RECOMMENDATIONS

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

Members of the Board of Directors  
Township Code Enforcement Department  
Pinconning, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

#### Disbursements

The Township Code Enforcement Department does not have a written policy/resolution on disbursements. Currently invoices are paid on a daily basis or at least weekly. The Board does not approve the invoices before they are paid, as long as the expenditures are within the budget.

I recommend that the Board contact the Michigan Department of Treasury's Local Audit Division to be sure that this procedure is proper. My understanding is that the Board must approve all invoices prior to payment, unless addressed otherwise in the policy/resolution. This policy must be very limited and a list of payments made prior to approval must be presented to the Board for approval.

#### Investments

The Township Code Enforcement Department does not have an Investment policy, but will be adopting one at their next Board meeting.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Board of Directors and should not be used for any other purpose.

*Barry E. Gaudette, CPA, P.C.*

May 8, 2006